



ANGEL INVESTOR ASSOCIATION

Entrepreneur's Tax Credit

Legislative Hearing on Raised Bill No. 5435

Presented by: Mary Anne Rooke
Managing Director, Angel Investor Forum

Prepared by: Liddy Karter
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3/9/2010



Active Angel Investor

Mary Anne Rooke

Managing Director, Angel Investor Forum
Active Angel in CT for 4 years

Background:

Born, raised & schooled in CT
Moved out of CT to start business career
Boston - 5 years
Silicon Valley - 20 years

Financial & management roles: Auditor to CFO
Public & private business
Start-ups to Fortune 500 companies

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1



Active Angel Investor

Liddy Karter

Managing Director, Karter Capital Advisors, llc
Director and founder of Angel Investor Forum,
Chair Public Policy Comm. Angel Capital Assoc.

Background:

- Director of Innovation Pipeline Accelerator

- A program of the CT Technology Council sponsored by the DECD

- CFO of CT based, VC backed, software co, sold to NCR
 - CEO of CT based, Angel backed, environmental co, sold to waste company

- Investment Banker: Morgan Stanley

- Yale MBA, Columbia B.A.

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2



Active Angel Investor

Angel Investors are a key ingredient needed to
stimulate and build an active & vibrant
Entrepreneurial Community.

CT is not a leader in helping early stage business
grow & stay in CT

CT does not yet have a strong Angel investment
community

Angel Investor Forum is building the Angel
Investor network in CT

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3



Strongly Support Bill #323

Bill as written is fine

Only change would be to have an independent third party, not CI, evaluate the effectiveness of the credit annually.

Excellent to combine the sidecar fund and the SBIR support within the same organization as these will work collaboratively.

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4



Leverage Private Capital

National Angel Investing status

Angel Investor Forum

Wisconsin Model

Ohio Model

Lerner Roadmap

CT Roadmap for Job growth

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5



HAIL THE JOB CREATORS

From 1980 to 2005, firms less than five years old accounted for ALL net job growth in the United States.

*Business Dynamics Statistics
Briefing: Jobs Created from
Business Start-ups in the United
States, January, 2009.*

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6



Companies Backed by American Angels

AMBIT[®]
Broadband

 **myspace.com**
a place for friends



YAHOO!

amazon.com

bitpipe

COSTCO
COM



 **redhat**



Google


CISCO

 **Regeneration**[™]
TECHNOLOGIES, INC.

 **Ask**
.com



PayPal[®]

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7



Sources of Start-up Funding

Venture Capital ~\$.3 B

3,800 total deals/yr

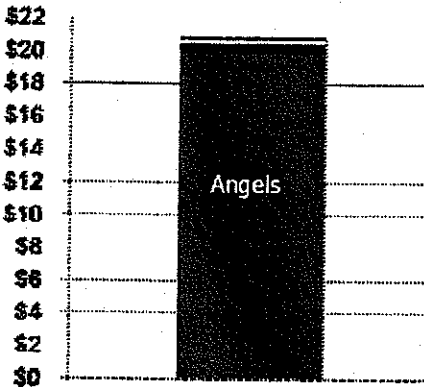
State Funds ~\$.5 B

Angel Investors ~\$20 B

55,000 deals/year

Angels: 90% of outside equity for start-ups

Friends & Family ~\$60 billion



Sources: MoneyTree, NASVF, multiple studies on informal capital

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8



Angel Capital Association Today

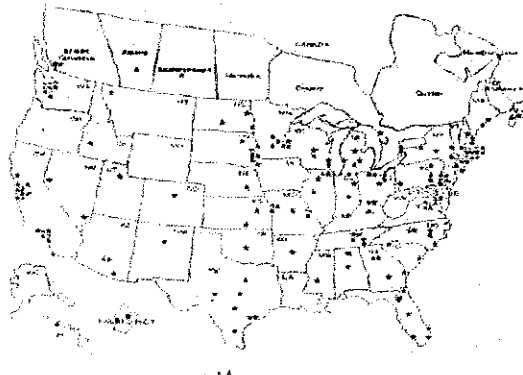
Mission: Support the growth, financial stability, and investment success of its member groups.

160 angel groups

7,000 investors

20 affiliates

49 states/ provinces



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9



Angel Investor Forum Today

Investor Cluster Locations:

Hartford / New Haven / Stamford

68 Active membership

52 Paid Members

15 new members in 2009

3 new members in 2010

Plus Prospective Members, Sponsors & Advisors

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10



Portfolio Summary

AIF members have directly invested over \$4 million in 28 deals since Nov 2004.

Over \$30 million invested by others alongside those investors.

134 jobs created with 84 jobs in CT

Sectors range from consumer products, IT to biotech

2 successful exits, both sales to larger companies.

2 failures

CAGR exceeds 50% for remaining portfolio

Cost to State of CT: \$0

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11



AIF's Sponsors and Affiliates

Cash Sponsors:

- Foley Hoag, Boston Based Law Firm
- Hinckley Allen & Snyder, Boston Based Law Firm
- CT Innovations

In Kind Sponsors

- CT Technology Council
- CT Center for Advanced Technology
- Robinson Cole
- Wiggin & Dana
- Accounting Resources Inc
- Yale University
- UConn

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12



AIF's Challenges

- Cash to pay for an Executive Director
- Operating in a vacuum in an uncoordinated environment
- Watching entrepreneurs go elsewhere
- Watching capital flow to NY and Boston

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13



Other State's Angel Stimulus

- Tax Credits: Wisconsin Example
 - Stimulates membership in Angel Groups
 - http://www.angelcapitalassociation.org/dir_resources/state_policy_issues.aspx
 - <http://www.wisconsinangelnetwork.com/uploads/uploads/2009%20Wis%20Portfolio%20web.pdf>
- Side car funds: Ohio example
 - Pays for Administrative staff through 2% fees
 - www.bioenterprise.com
- See: www.angelcapitalassociation.org.

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14



WISCONSIN
TECHNOLOGY
COUNCIL



ANGEL CAPITAL
RESOURCE CENTER



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15



WAN - Membership

- Angel Networks
- Angel and Early Stage Funds
- Venture Funds
- Corporate Strategic Partners

- Members have access to Deal-flow Pipeline
- Currently there are 28 investor-member organizations
- Representing over 250 individual investors, funds with hundreds of millions
- Members listed at WAN website

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16



Wisconsin Act 255: Tax Credits

	Angel Investment	Early Stage Seed Investment Fund
Income Tax Credit:	25% (per investment) (12.5% per year - 2 yrs)	25% (per investment)
Effective Date:	January 1, 2005	January 1, 2005
Maximum Annual Aggregate Amount of Tax Credits Per Year:	\$3.0 M (2005) \$18.25M (2011)	\$3.5 M (2005) \$18.75M (2011)
Maximum Investment Per Company:	\$1 M (2005) \$8 M (2011)	\$3 M (2005) \$8 M (2011)

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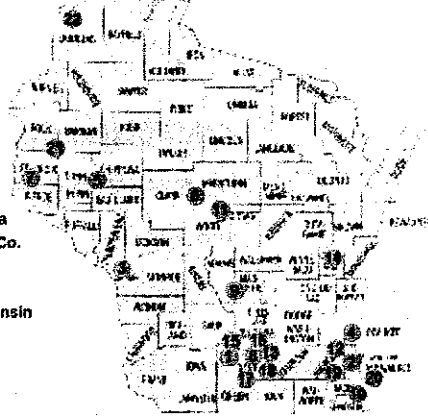
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17



WI Angel Groups or Funds

- | | |
|---|----------------------|
| 1. Wisconsin Investment Partners, LLC* | Madison |
| 2. Silicon Pastures* | Milwaukee |
| 3. Origin Investment Group, LLC* | La Crosse |
| 4. Golden Angels Network* | Milwaukee |
| 5. Chippewa Valley Angel Network | East Claire |
| 6. Marshfield Investment Partners, LLC* | Marshfield |
| 7. St. Croix Valley Angel Network, Inc.* | River Falls |
| 8. Phenomenelle Angels* | Madison |
| 9. Badger AgVest* | Madison |
| 10. Pennies From Heaven* | Racine / Kenosha |
| 11. Central Wisconsin Business Angels* | Portage / Wood Co. |
| 12. Women Angels* | Milwaukee |
| 13. Kogosa Capital Fund* | Fitchburg |
| 14. NEW Capital Fund, LP* | Northeast Wisconsin |
| 15. Badger Alumni Capital Network | Madison |
| 16. DaneVest Tech Fund I* | Madison |
| 17. Continuum Investment Partners* | Madison |
| 18. Capvest Venture Fund* | Madison |
| 19. Capital Midwest Fund* | Milwaukee |
| 20. Successful Entrepreneur Investors* | Milwaukee |
| 21. New Richmond Angel Investment Network | New Richmond |
| 22. Lake Superior Angel Network | Lake Superior Region |



Source: Wisconsin Angel Network
Updated November 2009

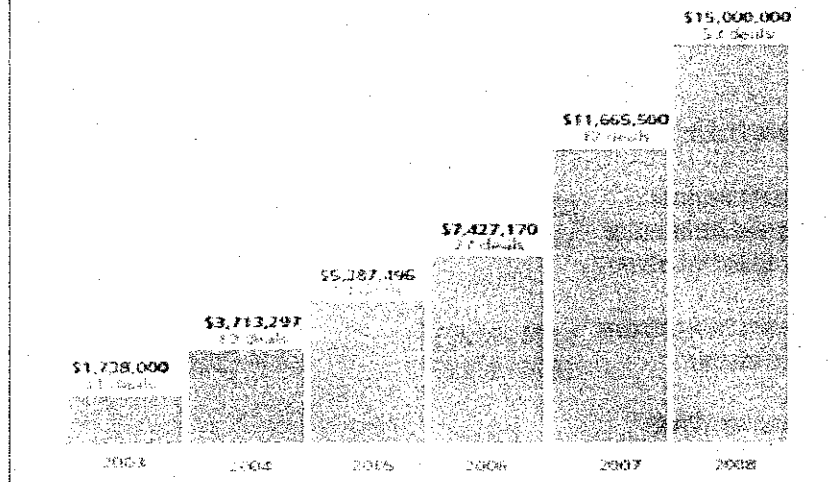
* = WAN investor-member

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18



ANGEL NETWORK INVESTMENT DOLLARS IN WISCONSIN



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19



Entrepreneurship Roadmap

Read:

**"Boulevard of Broken Dreams
Why Public Efforts to Boost
Entrepreneurship and Venture
Capital HAVE FAILED – and What to
DO about it."**

**--by Josh Lerner, Professor Harvard
Business School**

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20



Lerner Roadmap

- Create a supportive entrepreneurial environment
- Enable local academic and scientific resource sharing
- Let the market provide direction
- Avoid over-engineering
- Expect long lead times
- Size the program for effectiveness
- Institutionalize tracking and evaluations
- Maintain flexibility

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21



CT Entrepreneurship Roadmap – Efforts to date:

- ✓ Create a supportive entrepreneurial environment
 - ✓ R&D Tax Credit
- ✓ Enable local academic and scientific resource sharing
 - ✓ UConn IP Law Clinic and Innovation Accelerator
- Let the market provide direction
- Avoid over-engineering
- Expect long lead times
- Size the program for effectiveness
- Institutionalize tracking and evaluations
- 3/9/10 Maintain flexibility

22



CT Entrepreneurship Roadmap Next Step:

- Implement a 25% Entrepreneur's Tax Credit
- Allocate \$5MM for a side car fund to invest alongside angel groups
 - This creates the fee income required to support an Executive Director to develop more angel investing activity
 - Creates the opportunity for returns to the State
 - Historical returns are 26% IRR
- Encourages other corporate leaders to invest

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23



Thank you

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24

